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## THE INDEPENDENT TREASURY VS. BANK DEPOSITORIES: A STUDY IN STATE FINANCE.

On the third day of August, 1901, the doors of the First National Bank of Austin were closed by United States Bank Examiner J. M. Logan. This failure created a general sensation throughout the state, for it was learned that at the time there was on deposit with this bank to the credit of the State Treasurer, John W. Robbins, a large sum of the state's funds in the form of money and drafts in course of collection. Some of the revenues of the state collected by Secretary of State John G. Tod were also involved. The lower house of the state legislature, which was then sitting in special session, appointed a committee to investigate the relations of the treasury to the First National Bank, which, after examining many witnesses, reported back to the House that it had been the custom for many years for the State Treasurer to deposit with some Austin bank for collection the checks and drafts received in connection with the sale and lease of the public lands, and that money and drafts in course of collection had accumulated in the First National Bank to the amount of \$358,208.89. Of this sum \$252,378.02 had been collected and \$105,830.87 was still to be collected. In the same way, it was found, Secretary of State Tod had deposited checks and drafts for collection, preparatory to turning them into the Treasury, to the amount of \$39,512.39. These checks and drafts had been received by Mr. Tod in payment of fees of the Secretary of State's office.

Now the law requires the Secretary of State to pay into the treasury monthly the moneys collected by him, but allows him to collect the fees as he may see fit and in the meantime to keep the money where he chooses, but at his own risk. As Mr. Tod, therefore, had not exceeded his authority and as he and his bondsmen proposed to make the loss good to the state, the matter, so far as he is concerned, may be dismissed without further discussion.<sup>1</sup> But

<sup>1</sup> None of the state's money was lost as a result of the bank failure. The bank was reorganized and reopened and seems to be in a prosperous condition. Prior to the reopening, which took place at the beginning of January, 1902, an agreement between the state's representatives and the authorities of the bank was reached by which the money due the state was to be paid into the treasury in monthly installments. In accordance with this agreement the entire obligation was discharged by the first of July, 1902.

the situation was quite different in the case of State Treasurer Robbins. As we shall see later, the treasurer is required by law to keep *all* moneys and property committed to his care and belonging to the state in the vaults of the treasury, and he has no authority whatever to deposit checks and drafts in a bank for collection. And yet he allowed \$358,208.89 to accumulate in the vaults of the First National Bank. Accordingly, on August 21, Mr. Henderson, of Lamar, introduced into the House a resolution providing for the impeachment of Treasurer Robbins. The resolution was as follows: "*Resolved*, That State Treasurer J. W. Robbins hereby stands impeached by order of this House for mismanagement in the conduct of the affairs of his office, clearly in violation of law, and which in effect is little short of flagrant dereliction in the discharge of a public trust." The resolution further provided for the appointment of a committee of seven to prepare articles of impeachment and to conduct the prosecution before the Senate. But, as it was clear that no intentional wrong had been done and that Treasurer Robbins had simply followed a custom of many years' standing, the resolution failed and the matter was allowed to drop without any action having been taken.

But while no action was taken in the matter by the legislature, the incident has served to direct attention to our present method of collecting and safe-keeping the public funds. The present investigation, therefore, is undertaken with a view of showing the exact working of the present system before and after the failure of the bank, and of suggesting possible improvements in the system, but more especially with the view of pointing out the need of a system better adapted to the convenience of the public and the necessities of the business community. As the discussion proceeds it will become clear that, by a system of bank depositories, the funds of the state, as soon as the taxes are collected, would be returned to the channels of circulation, a neat sum of interest collected for their use, and at the same time the funds would be as safely kept as if they were locked up in the vaults of the treasury.

#### *The System Prior to the Bank Failure*

The present treasury system in Texas was devised for a small, sparsely settled, rural community whose fiscal transactions were insignificant when compared to the vast volume of business now

transacted by the State Treasury Department. In the "Plan and Powers of the Provisional Government of Texas," adopted by the "Consultation" that assembled at San Felipe de Austin in October, 1835, it was provided that, "The General Council shall appoint a Treasurer, whose duties shall be clearly defined by them, and who shall give approved security for their faithful performance."<sup>2</sup> In November of the same year, the General Council provided for the appointment of a treasurer, fixed his bond at \$100,000, and declared his duties to be "to receive, disburse and pay over to the order of the proper authorities, all monies and security belonging to the Provisional Government of Texas." For many years the treasurer presided over an empty treasury,<sup>3</sup> the state being greatly involved in debt and the taxes being paid in treasury notes and other evidences of the state's indebtedness. During the period of the republic the funds seem to have been kept in the vaults of the treasury, though I have been unable to find any law bearing directly on the subject. However, when Texas was admitted to the Union as a state the separate treasury system was given legal sanction. The first legislature of the state, in March, 1846, adopted a law providing for the safe keeping of the revenues, the ninth section of which reads as follows: "Be it further enacted, The Treasurer shall procure a strong iron safe or safes, in which shall be deposited all monies or dues received by him on account of the state."<sup>4</sup> The independent system established by this law has been retained to the present time.<sup>5</sup> In 1873 the legislature re-stated the matter in still more explicit form. This law, slightly revised and expanded, reappears as Article 2,860 of the Revised Statutes,<sup>6</sup> and reads as follows: "All moneys

<sup>2</sup>Gammel, "Laws of Texas," vol. i, p. 912.

<sup>3</sup>Gouge, in his "Fiscal History of Texas," p. 274.

<sup>4</sup>Gammel, "Laws of Texas," vol. ii, pp. 1316-18.

<sup>5</sup>It is a significant fact that the independent treasury of the United States was established the same year and by the same party. It was a policy growing out of a political situation. The results of its application to problems of central government have been quite different from those obtained in application to states. The states had only one problem to solve, that of safe keeping and the proper use of revenues. The national government, however, had in addition to this the burdens of currency upon it. It must provide a currency adequate to the needs of business and protect and maintain it. As an incident to this it must redeem all forms of credit money, and the revenue department is essential to the keeping up of the redemption fund. While the independent treasury, therefore, has proved itself well suited to national currency problems, as applied to state finance it may be questioned.—[EDITOR.]

<sup>6</sup>Batts, "Civil Statutes," vol. ii, p. 229.

received by the treasurer shall be kept in the safes and vaults of the treasury, . . . nor shall it be lawful for said treasurer to appropriate to his own use, or loan, sell or exchange, any money or the representative of money in his custody or control as such treasurer." From this it will be seen that the state in its very infancy adopted the present independent treasury system, and has maintained it consistently to the present day. It was the disregard of these laws by the State Treasurer that led to the connection with the First National Bank and the investigation by the legislative committee above referred to.

The violation of the law by the treasurers came about through their depositing with the bank, not actual cash, but checks and drafts to be collected. This custom grew up in connection with the land business. It was undoubtedly a great improvement over the system formerly in use. It was the product of a business necessity, and was fairly simple and direct in its operation. Persons owing money on lands could send their personal checks or could buy bills of exchange from their local banks. When these checks and bills were received at the treasury, they would be collected at once if drawn on an Austin bank, and the money so collected would be deposited in the treasury. If the check was drawn on a foreign bank, the procedure was quite different. The drafts were numbered and registered in a book kept for the purpose, each draft being described by giving its number, date and amount, and the name of the person by whom it was drawn.<sup>7</sup> This record was kept in the treasury. A postal card was then sent acknowledging the arrival of the remittance and promising that the receipt for the amount would be sent as soon as possible. The checks and drafts were then turned over to the bank for collection, the bank being charged with the full amount of the drafts turned over to it. If a draft was not paid, it was returned to the treasury, the bank was given credit for it, and it was returned to the sender. If, however, the treasury authorities heard nothing from the draft within two or three weeks,<sup>8</sup>

<sup>7</sup> See the testimony of Chief Clerk R. C. Roberdeau before the investigating committee, "House Journal 27th Legislature, 1st and 2d Special Sessions," p. 80.

<sup>8</sup> From the statement of Mr. A. W. Morris, chairman of the committee appointed by the House to count the cash in the treasury, it would appear that at the end of each month receipts were issued to all persons whose checks had been deposited for collection on or before the 15th day of the month, unless payment had been refused on them. "House Journal," p. 93.

they assumed that it had been paid and that the money was in bank, and the receipt was issued to sender. From this it would seem that a continual stream of checks and drafts flowed into the treasury to be passed on to the bank for collection, while a similar stream of money flowed into the bank from all parts of the country, to be paid by the bank into the treasury.

As the money from the collections accumulated in the bank, payments were made from time to time into the treasury, varying from two to five payments per month according to the progress made in collecting.<sup>9</sup> The largest payments were usually made on or near the first of the month. Mr. Wortham, president of the First National Bank, usually looked after the state's account in person and sent up the money at convenient times. "If Mr. Robbins," said Mr. Wortham, testifying before the investigating committee, "had drawn on the bank for the balance of his deposit on the first of August, he could have gotten every cent."<sup>10</sup> He could have had \$100,000 on August 2, but unfortunately Mr. Wortham was out of the city at the time, the money was not sent up to the treasury, and on the next day the bank was closed.

It was in this matter of the transfer of the moneys from the bank to the treasury vaults that the treasury authorities seem most open to censure. It is not strange that an incoming treasurer should adopt a custom that had been followed by his predecessors for a generation. It was perhaps but natural that he should adopt a practice that not only greatly lightened the work of the treasury force, but proved a great saving and convenience to the public as well. But it would seem that closer attention should have been given to the collections, and the money moved to the treasury vaults a little more rapidly. Payments were seldom called for by the treasurer, but were usually made at the instance of the bank. Checks and drafts were allowed to accumulate in the bank to the amount of \$358,208.89, of which \$252,378.02 had been collected and should have been transferred, at least in part, to the vaults of the treasury.

Probably it is not very generally known what a large volume of business was transacted by the treasurer through the First National Bank. Prior to 1887 doubtless a very large part of the entire receipts of the state came in in the form of drafts and

<sup>9</sup> "House Journal," p. 79

<sup>10</sup> *Ibid.*, pp. 91-92.

exchange. Since that date only the land accounts have been paid in that way, the proceeds from taxes being paid in cash or postal money orders. But the land business has gradually grown until it has reached enormous proportions. On the treasurer's books are to be found more than 40,000 land accounts, on which is paid more than \$2,000,000 annually. Of course some of these land payments were made in cash, postal or express money orders, and exchange on Austin banks; but, as previously stated, the great mass of these payments was made in personal checks and drafts, which were collected through the bank. The volume of business done through the First National Bank may be seen from the following statement, tabulated from the evidence given before the legislative investigating committee by Mr. R. C. Roberdeau, chief clerk in the Treasury Department:<sup>11</sup>

DATE	Balance in bank to credit of the State Treasurer.	Amount paid by the bank into treasury.
December 31, 1900 .....	\$283,440.46	
February 1, 1901 .....	281,569.35	\$102,096.00 (Jan.)
February 28, 1901 .....	297,629.54	106,269.55
March 30, 1901 <sup>12</sup> .....	279,731.73	199,879.22
April 30, 1901 .....	315,455.70	56,400.37
May 31, 1901 .....	345,379.90	48,350.98
June 29, <sup>13</sup> 1901 .....	374,633.54	60,024.00
July 31, 1901 .....	365,665.92	95,797.57
August 3, 1901 .....	358,208.89	<u>31,213.53</u>
Total amount of checks deposited in bank from January 1 to August 3, 1901 .....		\$774,800.65
Total cash received from bank from January 1 to August 3, 1901 .....		700,032.22
Average daily balance .....		255,469.00

### *The System Since the Bank Failure*

The failure of the First National Bank in August, 1901, brought to a sudden standstill the machinery of deposit and collection that had been devised to meet the needs of the business community, and that had been in successful operation for a generation or more. The public was surprised to find that the system that had worked so smoothly for many years was wholly illegal, or, at least, unauthor-

<sup>11</sup> "House Journal," p. 89.

<sup>12</sup>This date used because last day of the month was Sunday.

ized by law. But that such was the case is now universally acknowledged. The treasurer was allowed to accept from tax collectors nothing but cash and post office money orders; and it should be stated in this connection that there is no reason to believe that this provision of the law has ever been disregarded. While no specific method of making land payments has been prescribed by law, there is no warrant whatever for the practice of depositing in bank for collection the checks and drafts received from such payments. In fact such action is expressly forbidden by the law of 1873, which, as re-stated in the Revised Statutes, provides that all moneys "shall be kept in the safes and vaults of the treasury . . . nor shall it be lawful for said treasurer to appropriate to his own use, or loan, sell or exchange any money or the representative of money in his custody or control as such treasurer."

After the failure of the First National Bank on August 3, checks and drafts kept coming in every mail, and, on August 7, State Treasurer Robbins began depositing them for collection with the American National Bank of Austin.<sup>18</sup> At the close of business on August 13, \$23,310.65 in checks and drafts had been so deposited. In the meantime, however, conditions were getting more serious. The investigating committee was busily engaged in taking evidence, and talk of impeachment proceedings was in the air. In his dilemma the treasurer applied to the attorney-general for direction: Has the treasurer a right to accept anything but actual cash in payment of land dues? Is he authorized to accept checks and drafts payable by an Austin bank, or postal and express money orders payable in Austin? In replying to these questions Attorney-General C. K. Bell declared that the treasurer has no right to accept anything in payment of land accounts except actual cash; that, while he has no authority to accept drafts on Austin banks, or postal and express money orders payable in Austin, if he should do so and the money should be collected and paid into the treasury, such payment would constitute a valid payment; but that, if the money should be collected and lost between the place of collection and the treasury, such loss would fall on the treasurer. This opinion the treasurer had printed and mailed it out along with a circular letter from his own department to the land purchasers throughout the state. In this letter Treasurer Robbins declared that, in view of the failure of the

<sup>18</sup> "House Journal," p. 65.

First National Bank, of the investigation of the matter by the legislative committee, and of the opinion of the attorney-general, the department had decided that for the future "*nothing but cash*" could be accepted in payment of land accounts.

From this it is seen that the first effect of the bank failure was to sweep away at a single stroke the whole system of making land payments by means of money orders, Austin exchange, and personal checks of every character. Nothing was to be received but money, not even a post office money order. This worked great inconvenience and hardship on the public. Take the case of a land purchaser in the Panhandle country. He is now deprived of all the ordinary means of sending money and making payments. Personal checks will not do, bank exchange is useless, and even the use of the post office, usually the most accessible means of sending money in sparsely settled communities, is denied to him. He must now either carry the money to the treasury in person or hire it done by either a bank or an express company, and possibly the nearest express office is a hundred miles away.

Such a plan, it is easy to see, would work great hardship on the great body of the state's land customers, and a vigorous protest came from all parts of the state. It soon became evident that the scheme could not be carried out. The land business was paralyzed. Drafts and money orders continued coming to the treasury, but were returned to the senders. Although the legislature was then in session, it made no move toward relieving the situation, but left the treasurer to face the difficulties alone. At this juncture the Austin post office authorities came forward with a proposition to relieve the strain. Postmaster Brush proposed that if the treasurer would receive postal money orders in payment of land dues, he would send the money up to the Treasury Department and pay off the orders there. As this relieved the treasurer of all responsibility in the collection of the money for the orders, and seemed to offer a solution of some of the difficulties, it was agreed to by the treasurer, and circular letters were sent out by the postmaster explaining to all the post offices of the state the arrangement that had been made. There was at once a vast increase in the volume of business done by the money order department of the local post office, although it had formerly been largely used by tax collectors, as well as land purchasers, in making their payments to the state treasurer. The state

had failed utterly to provide an adequate or convenient method of carrying on the state's business, and the people were forced to resort to the use of Federal machinery, and that, too, in most cases, to the detriment of the banking institutions of our own people.

But it will doubtless occur to the reader that there were no good reasons why the banks could not make similar arrangements. There were no reasons, and, as the banks soon felt the loss of the business, such arrangements were actually made. They proposed that, if the treasurer would receive drafts on Austin banks, they would carry the money up to the Capitol and pay it directly into the treasury. They then sent out letters to their correspondents throughout the state notifying them of the arrangement that had been made, and promising to pay off at the treasury all drafts drawn against them. As a natural result a large share of the business was soon done through the banks. A few weeks later the rigid cash system announced in the treasurer's letter, mentioned above, was still further relaxed, until now a person owing money on land can send it to the treasury in one of four ways. First, he may send the cash through the express companies or banks; second, he may send postal money orders; third, express money orders; or, fourth, exchange on any Austin bank. These money orders and drafts are now received by the treasurer at his own risk and collected by him, the orders being sent out for collection instead of being paid off at the treasury, as was at first required.

#### *Some Defects and Possible Remedies of the Present System*

The present Texas treasury as now operated is very far from what it should be. It is essentially crude and unsuited to the needs of the business community. It is the worst form of an antiquated system, utterly out of harmony with business methods and usages of the great commercial community that has grown up around it. It was devised at a time when our population did not number more than twenty or thirty thousand souls, when four-fifths of our broad area was a savage wilderness, and there was neither a mile of railroad nor a banking institution of any kind within our borders. At first it was of but little consequence whether we had a treasury at all or not, for years had passed before a dollar of specie ever reached its vaults. Since that time, however, our population

has grown to more than three millions and our fiscal operations to some sixteen million dollars annually; and yet we cling to the same old system of collecting and safe-keeping the public funds to the financial loss and inconvenience of everybody concerned. Postponing for a time consideration of the relative value of the independent treasury system as compared to the system of bank depositories, let us first consider the evils of the system now in vogue, and see if remedies for some of them will not suggest themselves.

In the first place, the present method of transmitting money to the treasury is very expensive to the people and to the state. This is true both in the case of the land payments where the expense falls on the individual remitter and in the payment of taxes by the tax collectors where the cost falls on the state. In the case of land purchasers we have seen that the payments may be made in any one of four ways. In the first place the payment may be made in cash, the purchaser paying the express charges and having the package of money delivered at the treasury. The express charges on the smallest amount will be not less than twenty-five cents, while on a thousand dollars of silver from El Paso they are three dollars. The average charges on packages of one thousand dollars, however, are for currency about seventy-five cents to one dollar and fifty cents. In the second place, payments may be made by postal money orders. Here charges run from three cents on sums less than two and one-half dollars up to thirty cents on sums of seventy-five to one hundred dollars. For sums above one hundred dollars more than one order must be purchased, at thirty cents for each one-hundred-dollar order, or three dollars per one thousand dollars. In the third place, money may be sent by express money orders. Here the charges are slightly higher than on postal orders, running from three cents on the least amounts up to eighteen cents on the largest orders issued, which are for fifty dollars. That gives a rate of three dollars and sixty cents on sums of one thousand dollars. The fourth way is by use of exchange on Austin banks, at the usual rate of one-fourth of one per cent or two dollars and fifty cents on the one thousand dollars. It should be noted in this connection, however, that banks usually charge ten or fifteen cents on the smallest amounts issued.

It will readily be seen that anything like an accurate estimate of the expense to the public of sending to the treasury the \$2,150,000

annually paid on land accounts cannot be made. Each of the four ways of making payments is at times resorted to, though most of the payments now come through the banks; and the individual payments vary in amount from twenty-five cents up to thousands of dollars. The vast majority of the payments, however, are for sums less than one hundred dollars on which the rates are relatively much higher. Taking all these facts into consideration, State Treasurer Robbins has estimated that it costs the people of Texas not less than \$50,000.00 annually to make these land payments.<sup>14</sup>

When we come to examine the methods of making payments used by tax collectors we find the same general conditions we have just described, with the exception that here the expenses are borne by the state and not by the individual remitter. Collectors, as we have seen, are required to make their payments to the treasurer either by postal money orders or by direct cash payments. As the former method has already been dwelt upon, and as a matter of fact is seldom made use of by collectors, it may be dismissed without further discussion at this time. Direct cash payments may be made in the first place by a personal visit from the collector—a method once almost exclusively used, but long since discontinued except in rare cases. Or, secondly, they may be made by expressing the money to the treasurer at the rates just mentioned. Or, lastly, cash payments may be made through the Austin banks. As there are far fewer small payments from tax collectors than from land purchasers, the expense of remitting is relatively less. The cost to the state of sending money by the last two methods is about the same, for both payments are practically made through the banks. For there is scarcely a tax collector in the state who does not deposit his daily or weekly collections in some convenient local bank. When he desires to remit a certain sum to the State Treasurer, he simply requests the local bank to send the money for him. The bank suits its own convenience in making the payment. If it has a deposit with an Austin bank, it writes to its Austin correspondent to deposit the required sum in the treasury to the credit of the collector. If the payment cannot be

<sup>14</sup> It seems to me that this estimate is somewhat too large. The total receipts from the land business are \$2,150,000.00. At an average cost of thirty cents on each one hundred dollars, the expense would be but \$6,450.00. But the average payment is much less than \$100. If we assume it to be only \$2.50, on which the post office charges are 3 cents, or \$1.20 per one hundred dollars, the total expense would be \$25,800.00. But most payments come through banks and their charges on small amounts are relatively much higher.

made in this way, then the local bank sends the cash by express directly to the treasurer. In the latter case, the state pays the express charges at the rates indicated above, while in the former case the state allows to the banks exchange equal to the cost of expressing the same amount of currency from the given place.

The banks are in the habit of taking advantage of the state in cases where the actual cash must be expressed to Austin, which results in keeping the treasury vaults filled with silver. If they have both currency and silver on hand, they invariably ship to the state the silver; for in this way they get rid of the heavy silver at the state's expense, leaving in their own hands the lighter currency to be shipped out as needed at their own expense. They thus gain the difference in the cost of shipping silver and currency, and the state loses that amount and at the same time keeps its vaults crowded with the silver's extra bulk. In the same way, we may suppose, a bank with an Austin correspondent would, nevertheless, ship its silver to the treasury if, by drawing on its correspondent, there was danger of so nearly exhausting its deposit as to make necessary a further deposit with the correspondent.

As was the case in connection with the land business, so now it is very difficult to make an accurate estimate of the cost of putting the money into the treasury after it has come into the hands of the collectors of taxes. Some of the payments, usually the smaller odds and ends, come through the post office at the rate of thirty cents or more on the hundred dollars, while the great bulk of the taxes comes by express or through the banks, at the rates of from seventy-five cents to \$1.50 per thousand dollars. As much of the money sent by express is silver, and as a large number of payments consist of sums less than one thousand dollars, it is probably a conservative estimate to put the average cost at \$1.50 per thousand dollars. On the \$6,000,-000.00 of taxes collected annually, this gives a total cost of \$9,000.00, which, combined with Treasurer Robbins' estimate of the cost of making the land payments, gives a grand total of \$59,000.00 as the expense incurred in sending money to the treasury. Thus we see that the present treasury system is the most wasteful and expensive that could be devised.

Another evil connected with the present method of collecting land dues is the increased number of errors in the amount of the payments and in the description of the lands, and the resulting delays

and inconveniences to the clerical force in the Treasury Department. Prior to the failure of the First National Bank almost all of the land payments came in the form of personal checks on the home bank of the sender, which were deposited in the bank and collected without expense either to the state or to the remitter. If an error occurred in the amount of the payment or the description of the land, the Treasury Department communicated directly with the remitter and the matter was speedily rectified. Now it is quite different. Take the case of a land purchaser in the Panhandle country who has a payment to make. Instead of mailing his personal check directly to Austin as he formerly could do, he now notifies his home bank (very frequently by mail, on account of his great distance from a bank) to send a certain sum of money to the State Treasurer as his annual payment on a certain tract of land. If the bank has no Austin correspondent—and very few of these western and northwestern banks have—it will write to its Fort Worth correspondent repeating the description of the land and asking it to make the payment. The Fort Worth bank again repeats the description and the request to its Austin correspondent, and the latter pays the money into the treasury to the credit of the purchaser.

It is known to be a difficult thing for a person to repeat a story exactly as he heard it, and it is equally difficult to repeat the description of a tract of land. The result is a great increase in the number of errors both as to the amount of the payments and as to the description of the land. And in correcting these errors the treasury officials cannot deal directly with the remitter, but must refer the matter back to the bank that made the payment, it to its Fort Worth correspondent, and so on until the error is found. This produces extra work, needless delay, and inconvenience to all parties to the transaction.

It will be seen from what has now been said that the treasury system as now operated is much more expensive to the public and far less convenient than the system in operation prior to the failure of the First National Bank. If the independent treasury system is to be retained, it is clear that the laws governing payments into the treasury should be so changed as to allow such payments to be made at the least expense and inconvenience to the community. By a proper system of exchanges all payments would be sent directly to the treasurer without the intervention of a number of banks; delays and

inconvenience would be reduced to the minimum; and all collections would be made free of charge, thus saving to the people of Texas between \$50,000.00 and \$75,000.00 annually.

### *The Bank Depository System*

It seems evident that, if the independent treasury system is to be retained, some changes should be made. But there seems to be no good reason for holding to the present vault system. On the contrary, there is every reason for abandoning the present antiquated system of "bolts and bars" and for substituting one more nearly in harmony with the needs and usages of the present business community. The vault system, like many another outgrown institution, still lingers long after its day of usefulness has passed. It does not follow that because a system or an institution was not harmful to the state fifty years ago it is still the best that can be devised, and should be continued when the state has taken rank as one of the greatest commonwealths of the nation. There is no good reason why Texas should keep from \$1,000,000 to \$4,000,000 continually locked up in the Treasury vaults at Austin permanently withdrawn from circulation, when, by a system of bank depositories, this money could be put back into circulation, and, at the same time, a handsome income realized on it.

The system of bank depositories is not a new and untried plan. It has been in successful operation for many years in a number of the states and is now in use in nearly forty states and territories, and, in a modified form, has found a place in the management of the fiscal affairs of the Federal Government. After the national funds were withdrawn from the Bank of the United States in 1833, they were deposited in local institutions. But in 1846 the national government adopted the Independent Treasury Law by which all government moneys were required to be kept in the vaults of the Treasury and of the several Sub-Treasuries. But the system was somewhat relaxed in 1863, and bank depositories were authorized by the act that established the present national banking system. This act provides that "all (banking) associations under this act, when designated for that purpose by the Secretary of the Treasury, shall be depositories of public money, except receipts from customs, under such regulations as may be prescribed by the Secretary." The banks deposit as

collateral security for the funds United States bonds to the amount of the deposits asked for. The number of depositories and the amount of money held by them vary from time to time as the condition of the Treasury varies. "While the surplus permitted, every applicant, wherever located, offering the necessary bonds, received the share of deposits desired."<sup>16</sup> On June 30, 1900, there were 444 bank depositories holding funds of the government to the amount of \$98,736,806.93. In June, 1882, the amount held by the depositories amounted to only \$11,258,965, the smallest amount ever held, while in June, 1879, the deposits amounted to the enormous sum of \$279,544,645, the total cash balance of the Treasury at that time being \$475,663,096.<sup>16</sup>

Turning now to the states, we find that, of the forty-eight states and territories exclusive of Alaska and the Indian Territory, thirty-seven have the bank depository system, while nine still retain the independent treasury system and two have combinations of these two systems.<sup>17</sup> The states still operating under the independent system are Alabama, Arkansas, California, Illinois, Indiana, Mississippi, Nevada, Ohio and Texas. Kansas and Oregon have combinations of the two systems, some moneys being kept in banks and some in the treasury vaults. The funds of these nine states, amounting on an average of from \$12,000,000 to \$15,000,000 are locked up in the treasury vaults. A small part of the funds of the other states is kept in the treasury vaults, but the great bulk of the money, amounting to \$40,000,000 or more, is deposited in banks and in that way returned to circulation. In some states only very small amounts are kept in the treasury vaults. In Missouri, for example, of about \$2,600,000 to the credit of the various funds, only about \$1,700.00 was in the treasury at Jefferson City.

<sup>16</sup> Report of Secretary of Treasury, June 30, 1900, pp. xviii and xix.

<sup>16</sup> *Ibid.*

<sup>17</sup> Letters of inquiry were sent out to all the state treasurers. All the states have been heard from except Virginia. I have included Virginia in the list of states having depositories, for this system was in use in the state in 1894. (See an article on "The Custody of State Funds," by Mr. E. R. Buckley, in *ANNALS AMERICAN ACADEMY*, vol. vi, p. 397.) Mr. Buckley in 1894 reported seven states as having the vault system, but it happens that the three states left out of his table, Alabama, Arkansas and Illinois, all have this system, and Oregon, which he puts in the list of states having depositories, really belongs in the other list. The depository system is not authorized by law in that state, although some money is kept in banks. In a recent letter, State Treasurer Charles S. Moore, of Oregon, says: "The money is supposed to be kept in the treasury vaults, but for convenience some money is kept in banks here (Salem) and in Portland, which is at the treasurer's own risk."

For many years prior to the crisis of 1893-97 the state funds were kept by the banks in almost absolute security. That disastrous period tested the depository system as it had never before been tested and as it probably will not again be tested in a quarter of a century. The weak places in the system were thus shown and an opportunity given for making such changes as experience proved necessary. There were numerous bank failures during this period resulting in considerable loss to some of the states. In a number of cases the amounts are still in litigation and may not prove an ultimate loss to the state. As nearly as I have been able to determine, the total sum lost to all the states through bank failures since 1893, including amounts still in litigation, is \$557,850. Of this sum \$151,000 is reported as an entire loss, while \$406,850 is still tied up and may not prove an ultimate loss, certainly not in some cases. In Minnesota, for example, \$35,000 is now tied up, but the treasurer assures me that not more than \$5,000 will prove an ultimate loss.

At first sight these figures show up somewhat poorly for the depository system, but it is believed that a more careful analysis of the facts and conditions will show that the system is far better than the independent treasury system, even should the entire amount prove an ultimate loss. In the first place, let it be remembered that the period of which we are now speaking was one of almost unequalled financial distress. Hundreds of the oldest and most substantial concerns in the country were wrecked, and it is not at all surprising that some of the state depositories were involved in the general ruin. On the other hand, look at the workings of the system under normal conditions. For twenty years prior to 1893, Mr. E. R. Buckley, of the University of Wisconsin, found that there had been a total loss to all the states through the depository system of only \$36,915.19, an infinitesimal amount when compared with the enormous sums that had been deposited with the banks during that period. "It is a significant fact," says he, "that in every case where a loss has occurred by depositing the state money in banks, no security has been required from the depositories other than that given to ordinary depositors."

This statement of Mr. Buckley is only partially true of the losses since 1893. Of the \$151,000 actually lost, \$25,000 in Florida and \$40,000 in Wyoming were not secured. Of the \$406,850

reported as still tied up, \$7,000 in Connecticut was not secured, and \$11,070 in North Carolina was allowed to accumulate in the bank above the amount secured. The other amounts were secured by bonds for double the amount of the deposits and are as follows: North Dakota, \$86,000 lost, and \$29,000 still tied up; New Mexico, \$780 tied up; Wisconsin, \$24,000 tied up; Nebraska, \$300,000 still in litigation; and Minnesota, \$35,000 still tied up. From this it will be seen that the heavy losers have been a group of Northwestern states, including North Dakota, Minnesota, Nebraska, Wyoming, and Wisconsin. As already stated, most of the amount tied up in Minnesota will be collected. State Treasurer Davidson, of Wisconsin, says, in reference to the loss in that state, "The state will realize some of it by the sale of certain real estate turned over by the insolvent stockholders," though not much is expected from that source. In Nebraska only a part of the heavy losses is chargeable to the depository system, only about \$100,000 of the losses having occurred through the failure of authorized depositories. "The losses in this state," says State Treasurer William Stuefer, "have been much larger than this sum, but most of the losses were in unauthorized banks." From this it appears that the greater part of the losses in Nebraska, the most unfortunate state, is to be charged, not to the depository system, but to abuses of it, just as the threatened losses in Texas were chargeable to abuses of the independent system.

But another point should be noticed. Almost all the losses in these Northwestern states were due to defects in the depository laws that have now in most cases been corrected. In a number of these states and possibly in them all, the officials of a depository bank were allowed to make the depository's bond. As a natural result, when the bank failed the bondsmen failed also, and the state's security became worthless paper. This was certainly the case in Minnesota, Wisconsin, and Nebraska. The treasurer of Nebraska in a letter of recent date says, "Formerly bank officials were allowed to sign depository bonds and in such cases when the bank went broke, the securities went busted." "The persons who become sureties of the bank are, as a rule, stockholders of the bank," says State Treasurer Davidson, of Wisconsin. "In fact, I know of no one becoming a surety who is not a stockholder. While in the bond the state was secured for twice the amount of deposit, it suffered a loss

for the reason that the stockholders of the insolvent bank became insolvent themselves in their private capacity. . . . In short, the loss was possibly owing to the fact that the stockholders of the bank were securities on the bond of the bank. Not only did the bank itself fail, but the stockholders failed as private individuals, and consequently their bonds were worthless." That a similar state of facts exists in the other states there is reason to believe, though at this time not sufficient evidence is at hand for a positive assertion. From this it appears that a large part of the losses and probable losses that have occurred in connection with bank depositories is due to abuses of the system or defects in the depository laws that have been, or may be, easily remedied. And when it is remembered that much of the \$557,850 may yet be collected, and that this sum represents the losses in nearly forty states during a period of long-continued financial distress, the showing for the depository system is not a bad one, especially when it is shown a little further on that this entire sum is more than offset by a single year's income from the depositories.

The laws of the several states provide various methods of securing the public funds. Thirteen states require depositories to give no further security than is given to ordinary depositors. A number of the states require depositories to give bond in double the amount of the deposit, while, in addition, Missouri, Pennsylvania, and possibly others accept federal, state, county, or municipal bonds as collateral. In Arizona and Utah the banks are required to make the treasurer's bond, in the latter state in the sum of \$700,000. This would seem to be a poor provision, for if the sole depository in Arizona, for example, should fail, the treasurer's bond would be worthless, and the state would be left without recourse. In Idaho the state's money is made a "special deposit" and the state is given first lien on the assets of the bank. In Louisiana and Kentucky the banks are required to give bond in the sum of \$100,000, and in Oklahoma in the sum of \$600,000. In most states requiring security, the bonds may be either personal or surety company bonds, while some states, as New York, will accept only the latter. Although the evidence at hand will not warrant a positive opinion, there is reason to believe that most of the losses reported occurred in cases where banks were allowed to give personal bonds instead of surety company bonds or some sort of collateral security. The treasurer of Minnesota says he knows of

no case of loss to the state where the depository's bond was made by a surety company.<sup>18</sup>

The number of bank depositories and the method of designating them varies greatly in different states. The numbers vary from a single bank, as in Delaware and Arizona, to 150 in New York and 177 in Massachusetts. The average number is probably about twenty or thirty. In some states the banks are named in the statutes. In Georgia the towns are fixed by law and the governor selects one bank in each. In Delaware the funds are kept in the "Farmers' Bank of Delaware," of which the state owns a majority of the stock and selects a majority of the directors, the treasurer being given immunity from loss in case of failure of the bank. In North Dakota the depositories are selected by the Board of Auditors; in Louisiana, by the Board of Liquidation of the Public Debt; in Iowa, by the Executive Council of State; in West Virginia, by the Board of Public Works; in New York, by the treasurer and comptroller jointly; while in a majority of the states they are chosen by the treasurer, with or without the approval of a board usually consisting of the Governor, the Attorney-General, and the Secretary of State. In some states the treasurer is given a free hand, choosing his own depositories and demanding from them, at his own risk, whatever security he may see fit.

As has previously been intimated, the daily balance in the depositories, in many of the states, is made a source of revenue to the states. The banks are willing to take the state money, give ample security for its safe keeping, and pay a moderate rate of interest for its use. A majority of the states receive interest on the deposits, the rate varying from  $1\frac{1}{2}$  to 4 per cent per annum, payable monthly on the average daily balances. In Massachusetts the depositories are classified as "active banks," "Boston banks," and "country banks." In his letter, the State Treasurer says, "There are six (6) active banks, through which the entire business of the department is transacted, and who pay to the commonwealth interest on daily balances, at the rate of  $1\frac{1}{2}$  per cent per annum. There are forty-one (41) Boston banks (simply depositories), drawn on for the purpose of building up accounts in active banks rather more freely than are the country banks, who pay interest on average daily

<sup>18</sup> I have been unable to get definite information on this point. Some treasurers have neglected to answer my letters, and others leave the point in doubt.

balances, at the rate of 2 per cent per annum. Of the country banks, so called, scattered throughout the commonwealth, there are over one hundred and thirty (130) and they pay on average daily balances interest at the rate of  $2\frac{1}{2}$  per cent per annum. These rates of interest have been unchanged for a long term of years, and of course sometimes are more favorable to the banks than to the state, and sometimes vice versa." Colorado, Michigan, Minnesota, New York, Pennsylvania, and Rhode Island have classifications similar to that of Massachusetts. Only three states, New York, Pennsylvania, and Massachusetts, charge as low as  $1\frac{1}{2}$  per cent on any part of the deposits, while Rhode Island only receives as much as 4 per cent on any state money. The average rate is probably about  $2\frac{1}{2}$  per cent per annum. Of the thirty-seven states having the depository system twenty-four receive interest on the deposits, while thirteen receive no return on the money. The twenty-four states charging interest on the deposits have at this time, on an average, daily balances amounting to about \$25,000,000, which, at an average rate of  $2\frac{1}{2}$  per cent, yields a yearly income of \$875,000. This yearly income to these states, it will be observed, is more than 50 per cent greater than the losses to all the states caused by bank failures during the last ten years, including the panic of 1893, even if it be granted that all the money now tied up will prove an ultimate loss. If the income in part of the states for a single year exceeds by half the losses in all the states for a period of ten years including the worst financial panic in our history, it is certainly safe to say that the depository system will always show a comfortable balance of gains over losses.

The thirteen states that receive no interest on their deposits have an average balance of about \$7,000,000. At the average rate of  $2\frac{1}{2}$  per cent they should receive a yearly income of \$175,000. This amount undoubtedly goes as remuneration to the banks when it should go into the public treasury. In Louisiana the banks pay a regular annual bonus of \$10,000 for the use of the state's money, without regard to its amount. At times this may be an adequate return, but, if the present condition of the treasury is normal, it is not adequate. During the last three years the average deposit has been \$1,250,000, which should bring the state an annual income of not less than \$30,000.

The eleven states that still retain the independent treasury system (including Kansas and Oregon, which keep probably half

of their funds in the treasury vaults) have on hand to the credit of the state funds about \$13,000,000. This large sum of money is kept under guard in the vaults of the treasury, constantly withdrawn from circulation, and earning nothing for the people. It is an inconvenience, a charge, an actual burden to the states, when it should be yielding them a yearly income of \$325,000, and at the same time be just as securely kept.

Turning now to the conditions in Texas we find from \$2,000,000 to \$4,000,000 piled up in the vaults of the treasury at all times. The average amount for several years has been not less than \$2,500,000, probably as much as \$3,000,000. On this money the state receives not one cent of return. If the depository system were adopted, the state would receive from \$60,000 to \$75,000 annually. This sum added to the amount saved through the adoption of a less expensive method of sending money to the treasury would show a saving to the people of the state of an amount varying from \$100,000 to \$150,000 annually.

The adoption of the depository system would tend to remedy another evil of the present vault system, viz., the irregularities in the receipts and disbursements of the treasury and the fluctuations in the money market caused thereby. Fortunately these irregularities are not as great as at first one might suppose, judging from the vast volume of the fiscal business, for the payments on account of land dues and, to a limited extent, the payments on account of the taxes are distributed throughout the year. A much larger per cent of the taxes, however, is collected in January and February than during any other part of the year. The surplus in the treasury is usually greater in March than it is in November by almost a million dollars. The same relative condition, though probably somewhat more exaggerated, doubtless exists in the county treasuries, where the sole dependence is on the taxes, which are almost entirely collected by the first of March. In this way the largest sums are withdrawn from circulation in the spring and early summer and returned to the circulation as autumn approaches through the ordinary disbursements of the treasury. While this would tend to increase the money stringency of the spring and summer, it would tend to relieve the stringency of autumn and winter when demands are made for crop movements. In the fall of the year, at the very time when crops are being marketed, when money is flowing into the state,

when the money market is "easy" and interest is low, the state allows her surplus to run lowest, thus returning the greatest amount to circulation. In the winter and spring months, however, the current sets in the opposite direction. There are then no crops to bring money into the state, interest payments and other settlements in the North and East must be made, our merchants send out large sums for their spring and summer supplies, money grows scarce and the rate of interest rises. It is then that the state steps in, gathers her taxes, and withdraws from the channels of circulation, for state and county purposes, probably not less than one or two million dollars, to be added to the amount already locked up in the treasury vaults. The important effects of this policy on business will probably be more clearly realized when it is stated that, according to careful estimates, the money in the treasury vaults is at times equal to one-fourth of the entire stock of money in the state. Just what effect is produced by hoarding one-fourth of the circulating medium it is impossible to say. It should suggest, however, that even under an independent treasury plan the treasurer should be allowed to deposit such balances of revenue over disbursements as are in excess of ordinary holdings.

Other reasons for the adoption of the depository system will doubtless suggest themselves to the intelligent reader, but sufficient has now been said to show conclusively the benefits to be derived from such a change. The legislature should create a board of deposit to consist, let us say, of the governor, the comptroller, and the attorney-general, clothed with authority to select banks of deposit throughout the state. Other things being equal, the funds should be awarded to the banks offering the highest rate of interest. This provision would eliminate politics and favoritism in the selection of the depositories. The banks should be as widely distributed throughout the state as possible, say one in every representative district. The advantages of such an arrangement are obvious. It would facilitate payments for land dues, and would enable tax collectors to make daily, or at most weekly, deposits of their collections. In this way, the taxes collected to-day would be returned to circulation to-morrow, and at the same time be earning a revenue for the state. The money would remain in the district where collected until the bank's deposit limit was reached or until the money was needed elsewhere. Such an arrangement would also greatly

facilitate the ordinary disbursements of the treasury. Whenever any payment was to be made in any part of the state, instead of the present state warrant, which must be returned to the treasury for collection, a draft on the local depository would be issued, which would be paid by the depository without expense or delay to the state's creditor.

The state should require ample security from the banks in the form of personal or surety company bonds in double the amount of the deposit asked for, or collateral security in the form of United States bonds, Texas state bonds, or approved county and municipal bonds. Only county and city bonds at par or above should be accepted. The ability to use such bonds as a basis for deposits would probably create a home market for them, even when bearing a low rate of interest. If depositories are allowed to make personal bonds, certainly no person financially interested in a given bank should be allowed to become surety for the state's deposit with that bank.

Depositories should be required to pay a reasonable return for the use of the public money. As previously stated, the average rate paid in other states is probably not less than  $2\frac{1}{2}$  per cent. Texas is a new and relatively undeveloped community when compared with most Northern and Eastern states, and the commercial rate of interest here is higher. The average rate on deposits, therefore, might very well be as much as 3 per cent. And it would probably be well to adopt some such classification of depositories as that in use in Massachusetts. "Active" depositories would need to keep on hand constantly large sums to meet the daily drafts of the treasurer, and should pay from 2 to  $2\frac{1}{2}$  per cent on daily balances; depositories drawn on less frequently should be charged from  $2\frac{1}{2}$  to 3 per cent.; and those banks holding funds for relatively long and definite periods should pay from 3 to  $3\frac{1}{2}$  per cent. As stated in another connection, the annual income to the state from its deposits at an average rate of  $2\frac{1}{2}$  per cent would be between \$60,000 and \$75,000. At an average rate of 3 per cent it would seldom be less than \$75,000, and would sometimes exceed \$100,000, a consideration not lightly to be put aside in the solution of this question.

We have now reviewed the workings of the present treasury system before the failure of the First National Bank, when we had, in effect, the independent treasury system with a local bank of

deposit and collection. At that time the *taxes* were collected and sent to the treasury just as they are now, and the money was piled up in the treasury as it is now. Land payments, however, were then made almost entirely by personal checks which were deposited in the bank and collected by it without expense to the state or to the remitter. We have seen the changes produced by the bank's failure. For a time nothing but actual cash was received in payment of land dues, but the system has now been so far relaxed that postal and express money orders and exchange on Austin banks are accepted. The system as now operated is crude, antiquated, expensive, and entirely unsuited to the needs of a commercial community. While many of the present evils could be removed and the independent treasury still be retained, what is needed is a complete change of system, the substitution of the bank depository system for the one now in use. That system has been tried for many years in a great majority of the states of the Union, and with eminent success. It has been shown that, while there have been losses from bank failures, in general the funds have been securely kept and promptly returned to the channels of circulation, and that the income from the deposits for a single year would greatly exceed the combined losses in all the states during the last thirty years.

The time is now ripe for action. The state will have no difficulty in finding banks ready and willing to take the state money, to furnish ample security for its safe keeping, and to pay a reasonable return for its use. In the light of these facts, the adoption of the depository system by the state cannot be regarded as a matter of experiment. It is but to heed the admonitions of wisdom and experience.

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## APPENDIX

The following table, containing the results of my correspondence with State Treasurers, shows the average balance in the treasury during the last three years, when largest, where kept and rate of interest paid where depositories pay interest. It also shows the number of depositories, how they are chosen, security required of them now, money lost or now tied up by bank failures, security given by the banks at time of such failures, the difficulties if any experienced by the banks in meeting the treasurer's drafts, and such remarks by the writers as might prove of interest. The Indian Territory is omitted and the data for Virginia are taken from Mr. E. R. Buckley's table (*ANNALS AMER. ACAD.*, vol. vi, p. 397).

STATES.	Average Balance.	When Largest.	Where Kept.	Rate of Interest.	No. of Depositories.	By Whom Chosen
Alabama :.....		Feb. to July.	Treasury vaults.			
Arizona .....	\$130,000	Jan. :....	Bank . ....	None ..	1.....	(Phoenix National Treasurer.
Arkansas.....	450,000	.....	Treasury vaults.			
California .....	4,000,000	Jan. and July.	Treasury vaults.			
Connecticut....	800,000	Dec. and Jan.	Banks . ...	2½% ..	About 30.	By Treasurer
Colorado.....	1,800,000	May ....	Banks . ...	2½ to 3½%	22.....	
Carolina, North	175,000	Jan. and July.	In banks .	None ..	72.....	By Treasurer.
Carolina, South	525,000	Nov. to March, inc.	In banks .	None ..	Num-ber not limited	By State Board of Finance
Dakota, North .	350,000	Dec. to April.	In banks .	3%.....	4.....	By Board of Audit-ors.
Dakota, South	620,000	March to June.	In banks .	None ..	Num-ber not limited	By State Treasurer.
Delaware .....	.....	.....	In banks .	.....	1.....	By law. State owns majority of stock in bank.
Florida .....	350,000	May and June	In banks .	2½% ..	7.....	By State Board of Finance.
Georgia :.....	600,000 to 800,000	Jan.....	In banks .	2% ..	45.....	Legislature names the towns and Governor appoints a bank in each.
Idaho .....	150,000	Jan. and Feb.	In banks .	.....	Num-ber not limited	By Treasurer.
Illinois.....	2,500,000	.....	In Treas-ury vaults.	.....	.....	
Indiana .....	500,000	June . .	In Treas-ury vaults	.....	.....	
Iowa .....	500,000	June and Nov.	In banks in capi-tal city.	None ..	11.....	By Executive Coun-cil of State.

Security Required.	Losses.	Money Tied Up.	Security at Time of Losses.	Difficulty in Meeting Drafts.	Remarks.
.....	.....	.....	.....	.....	No changes desired.
Bank furnishes Treasurer's bond.	.....	.....	.....	.....	Many changes needed.
.....	.....	.....	.....	.....	.....
None .....	\$7,000 likely to prove a loss.	.....	None .....	None .....	Not entirely satisfactory.
Bonds in double amount of deposit.	.....	.....	.....	None .....	Entirely satisfactory.
Bonds of known value equal to average deposit.	.....	\$11,070 since 1897.	Same as at present.	None .....	Deposits are about 25% of capital and surplus of banks.
.....	.....	.....	.....	.....	System is satisfactory
None, except good financial standing.	None "since Republican rule ceased in 1876."	None .....	.....	None .....	Number of depositories should be limited.
Bonds for double amount of deposit, with seven sureties	\$86,000 in 1896-7	\$29,000 ..	Same as at present	None .....	Rate of interest should be reduced to 2%.
None .....	None .....	None .....	None .....	None .....	State should name banks, and take all responsibility.
None, other than State owns majority of stock and elects nine directors	None .....	None .....	.....	None .....	Treasurer is relieved of responsibility in case of bank failure.
State and County bonds equal to amount of deposit.	.....	\$25,000 in 1897.	None .....	None .....	State should avoid having large surpluses.
Personal or Guarantee Company bonds equal to amount of deposit.	None .....	None .....	.....	None .....	Too many depositories.
State money made a "special deposit."	None .....	None .....	.....	.....	System is satisfactory.
State given a first lien on assets.	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
Personal or Surety Company bonds.	None .....	None .....	.....	None .....	Treasurer is pleased with system.

STATES.	Average Balance.	When Largest.	Where Kept.	Rate of Interest.	No. of Depositories.	By Whom Chosen.
Kansas .....	\$300,000 to 400,000	Feb. and Aug.	In Treasury vaults and "Banks of Topeka."	None ..	5 .....	By Treasurer, with approval of Executive Council of State
Kentucky .....	500,000	Nov., Dec. and Jan.	In banks .	2½% ..	3 to 5 ..	By Treasurer. Bank must have \$100,000 capital.
Louisiana .....	1,250,000	Jan. to March.	In banks .	Annual bonus of \$10,000 2% on part.	5 .....	By Board of Liquidation of State Debt.
Maine .....	200,000	July and Dec.	In banks .	Varies .	.....	By State Treasurer.
Maryland .....	500,000	Sept. ....	In banks .	2% ..	19 .....	By Treasurer, approved by Governor.
Massachusetts .	5,250,000	.....	In banks and Trust Companies.	1½% to 2½%	177 .....	By Treasurer, with approval of Governor and Council.
Michigan .....	2,500,000	Spring and Summer.	In banks .	2% to 2½%.	.....	By Attorney-General, Secretary of State and Treasurer
Minnesota .....	1,000,000	July to Sept.	In banks .	Active banks, 2%; others, 3%.	Not limited.	By a Board of Deposit.
Mississippi .....	.....	.....	In vaults.	.....	.....	.....
Missouri .....	1,000,000 to 3,000,000	Feb. to July.	In banks and Trust Companies.	2% ..	.....	By Governor, Treasurer and Attorney-General. Let to highest bidders.
Montana :....	500,000	Nov. and Dec.	In State banks.	.....	.....	By Treasurer.
Nebraska .....	500,000	May and Nov.	In banks .	2% ..	As many as needed.	By Governor, Attorney-General, and Secretary of State.
Nevada .....	260,000	June and Dec.	In Treasury vaults	.....	.....	.....
New Hampshire	400,000	Oct. to Dec.	In banks .	2% ..	20 to 30	By Treasurer.
New Jersey .....	1,000,000 to 3,000,000	July to Dec.	In banks .	None ..	100 .....	By Treasurer.
New Mexico ...	150,000	Jan. and July.	In banks .	3% ..	7 .....	By Governor, Auditor and Treasurer.

Security Required.	Losses.	Money Tied Up.	Security at Time of Losses.	Difficulty in Meeting Drafts.	Remarks.
Bonds approved by Executive Council.	None ....	None ....	.....	None ....	Should be "Banks of Kansas" instead of "Banks of Topeka."
Personal or Surety Company bonds to amount of \$100,000 each.	None ....	None ....	.....	None ....	No changes desired.
Bonds in the sum of \$100,000.	None ....	None ....	.....	None ....	No changes.
None .....	None ....	None ....	.....	None ....	Interest should be charged on all deposits.
Surety Company bonds for double amount of deposits.	None ....	None ....	.....	.....	System is satisfactory.
None .....	Noultimate losses, though banks have failed.	Small amount.	.....	.....	No changes to suggest.
"Bonds sufficient."	None ....	None ....	.....	None ....	Satisfactory.
Personal or corporate bonds for double the deposit.	.....	\$35,000 since 1893-5.	Bonds, but sureties also failed.	None ....	Entirely satisfactory.
Personal bond, and National, State or city bonds as collateral.	None ....	None ....	.....	None ....	Entirely satisfactory
Bonds in double amount of deposits.	None ....	None ....	.....	None ....	Satisfactory.
Approved bonds for double deposits.	\$300,000 lost and tied up (1893-7). Still in litigation.	.....	Same as at present.	Not now .	Trust funds should also be deposited.
.....	.....	.....	.....	.....	Satisfactory.
Same security given to individual depositors.	None ....	None ....	.....	None ....	Banks should be selected by law.
None .....	None ....	None ....	.....	None ....	Satisfactory.
Bonds for double the deposits. Capital stock must be at least \$50,000.	.....	\$780.....	Same as at present.	None ....	Satisfactory.

STATES	Average Balance.	When Largest.	Where Kept.	Rate of Interest.	No. of Depositories.	By Whom Chosen.
New York .....	\$7,200,000	May and Sept.	In banks.	1½% to 3%	150....	By Treasurer and Comptroller jointly.
Ohio .....	1,200,000	Feb. and March, Aug. and Sept.	In Treasury vaults	.....	.....	.....
Oklahoma .....	500,000	Jan.....	In banks.	2%....	.....	By Treasurer and approved by Governor and Attorney-General.
Oregon .....	900,000	May to Aug.	In vaults and banks.	None ..	Varies.	By Treasurer.
Pennsylvania...	7,000,000	July and Aug.	In banks.	Active banks, 1½; Others, 2%.	125 (5 active banks).	By Treasurer, approved by Auditor, Secretary of State and Treasurer.
Rhode Island...	550,000	April, June, Aug., Dec.	In banks and Trust Companies.	2½ to 4%.	5.....	By Treasurer.
Tennessee.....	300,000	March and April	In banks.	None ..	Varies.	By Treasurer and Comptroller.
Texas .....	2,500,000	Jan. and Feb.	In vaults.	.....	.....	.....
Utah .....	244,000	Dec. to March.	In banks.	None ..	3.....	By Treasurer.
Vermont.....	75,000	.....	In banks.	2%....	2.....	By Treasurer.
Virginia.....	300,000	.....	In banks.	Nomi- nal rate	.....	.....
Washington ...	600,000	May and June.	In banks.	None ..	Not limited	By Treasurer
West Virginia.....	.....	Jan. to July.	In banks.	3%....	65 Varies.	By Board of Public Works.
Wisconsin .....	1,250,000	Feb. and Aug.	In banks.	2%....	Varies.	By Treasurer.
Wyoming .....	150,000 to 200,000	Jan. and Feb	In banks.	None ..	.....	By Treasurer.

Security Required.	Losses.	Money Tied Up	Security at Time of Losses.	Difficulty in Meeting Drafts.	Remarks.
Bonds of guaranty companies for double deposits.	Very little. Not more than 1-1000% in 25 yrs.	None ..	.....	None ....	Satisfactory. State is preferred creditor.
					Satisfactory.
Surety bonds in sum of \$600,000.	None ....	None ..	.....	None ....	No changes desired.
No security is furnished. There have been no losses. Money is supposed to be kept in Treasury vaults, but some is kept in banks at Salem and Portland for convenience, at Treasurer's risk.					
Personal bond for double deposits, or U. S. bonds of equal amount.	None. Banks have failed, but losses made good by bonds-men.	None ..	.....	Nothing serious.	Entirely satisfactory.
None .....	None ....	None ..	.....	None ....	Satisfactory
"Bond" .....	None ....	None ..	.....	None ....	Satisfactory.
Banks furnish Treasury bond in sum of \$700,000.	None ....	None ..	.....	None ....	Treasurer knows of no better system.
None .....	None ....	None ..	.....	None ....	Depositories should be fixed by law.
Personal security .....					
Bonds or other security.	Have been some losses, but as Treasurer is held responsible, he has made them good to the State.				Interest should be paid.
Personal or Trust Company bonds.	None ....	None ..		None ....	Too many depositories.
Bonds in double amount of deposits.	\$24,000 tied up since 1893, still on books and may be collected, in part.	Personal bonds.		None ....	Surety Company bonds instead of personal bonds.
None .....	\$40,000 (1893).	None ..	None .....	None ....	Satisfactory.